

Monopoly on lotteries

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The Government of Republic of Serbia has proposed Lottery Law Draft, in November 2001. According to this proposal, Government is to have monopoly over organizing all kinds of lottery and gambling. All kinds of lottery are classified into three groups:

- 1) classic lottery
- 2) special lottery (gambling, slot-machines, cards, dice)
- 3) firms-organized prize winning games

Government-owned State Lottery of Serbia has the exclusive right to organize classic lottery. This right is not marketable.

Government also has the exclusive right to organize special lottery, but this right may be transferred by the concession.

Firms may organize prize winning games, but only with government permission.

What is wrong with this law draft?

First, it is written in communist, paternalistic style 'everything is forbidden except what is explicitly permitted'. (e.g. Article 4: «Lottery is organized in purpose of entertainment...», or Article 1: «All kinds of lottery are forbidden if they are not the subjects of this Law»)

Second, Government tries to act entrepreneur role, that is in contrast to market economy tenets. Because of notorious disability of any government to be good entrepreneur, it prescribes monopoly position for itself.

Third, lot of licences, registrations and other excessive regulations are imposed, what multiplies bureaucracy and makes room for corruption (e.g. reporting of any new table or slot-machine, or prescribing conditions of giving tip etc.)

Forth, arbitrary power of authorities is to be exercised. (e.g. Article 42: «Minister of Finance is to define number of casinos in Serbia», or Article 83: «One firm may organize only four prize winning games per year, with at least three months time lag and each of game has to be reported to the Ministry»)

Fifth, it is coercion over people. Lottery, especially sports lottery has been proved as a very attractive one in previous period. Appropriate conclusion is that such activities are in high accordance with people preferences. Government abolishes that what is by market-voting proved to be of high desirability.

What is the Government explanation?

The Government claims that Law Lottery Draft is measure of fight against crime and also the way to increase its revenues. These aims are not bad, but means is not only inappropriate, but also counterproductive.

Fighting criminals is a task for the Ministry of Internal Affairs. The rest of the Government should care not to produce incentives for crime development. State monopolies and arbitrary power have been proved as the inducements of corruption and crime.

A better way of achieving more government revenues is liberalizing activity, accompanied with efficient tax collection. Well-performed market solution could be superior for government itself.